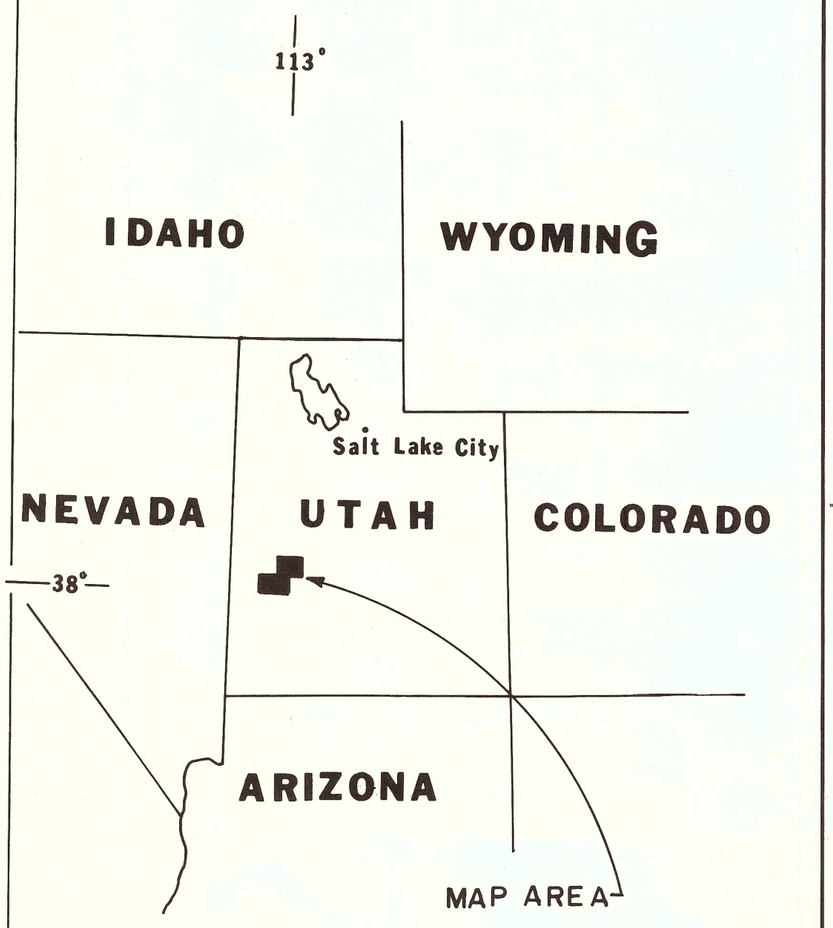
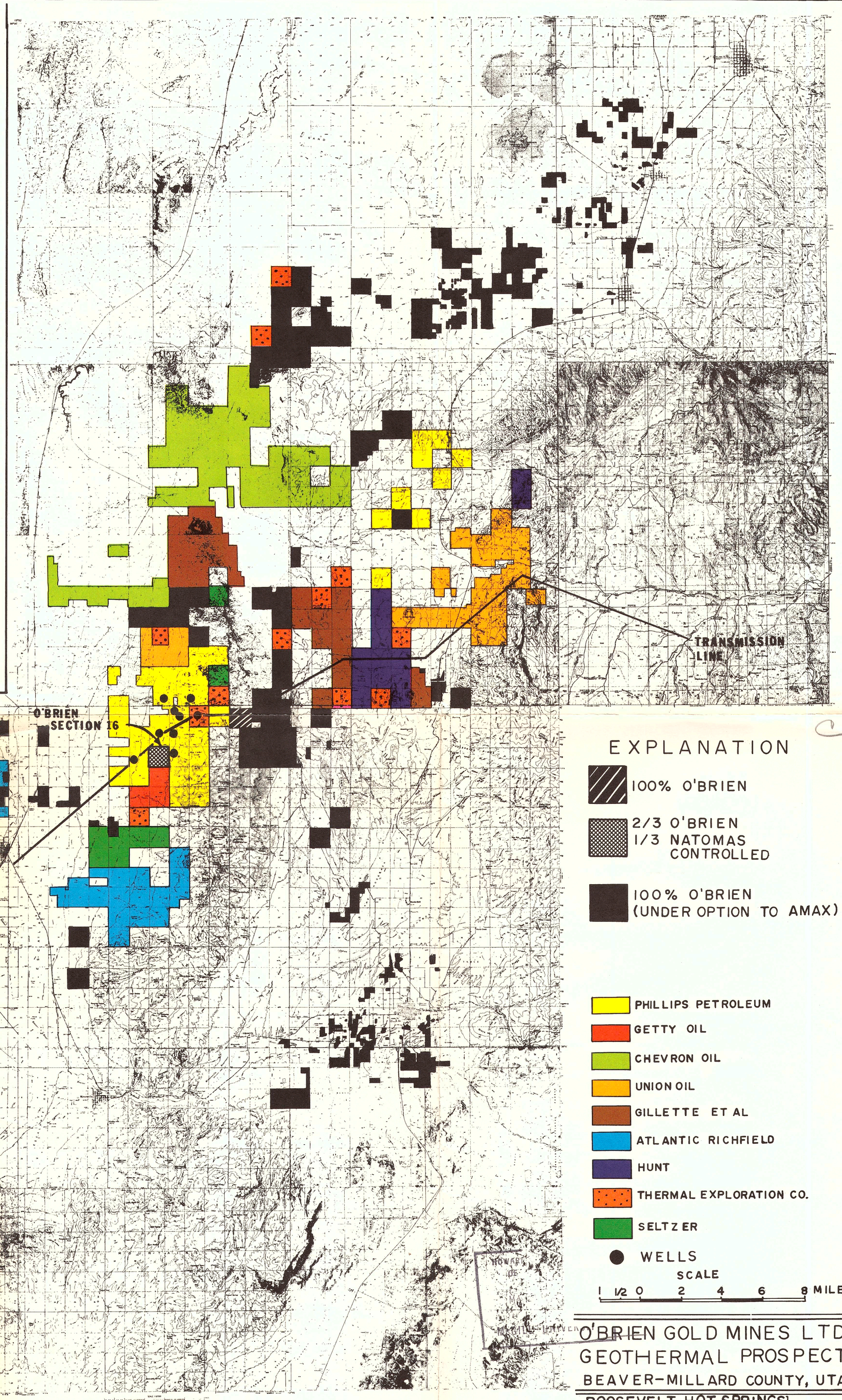
# O'BRIEN GOLD MINES, LIMITED

(No Personal Liability)

# ANNUAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 1973




# O'BRIEN GOLD MINES LTD.
# GEOTHERMAL PROSPECT
## BEAVER-MILLARD COUNTY, UTAH

ROOSEVELT HOT SPRINGS
COVE FORT
} AREAS

# O'BRIEN GOLD MINES, LIMITED

(No Personal Liability)

| | |
|---|---|
| Head Office: | 3400 Stock Exchange Tower,<br>Place Victoria,<br>*Montreal, Quebec* |
| Executive Office: | Suite 607,<br>80 Richmond Street West<br>*Toronto, Ontario* M5H 2B2 |
| Directors: | A.B. Block<br>F.D. Corman<br>R.N. Granger<br>V.N. Harbinson<br>A.G. Matthew<br>Peter White, Q.C. |
| Officers: | V.N. Harbinson,<br>*President*<br>F.D. Corman,<br>*Vice-President*<br>J.B. Sage,<br>*Secretary*<br>A.G. Matthew,<br>*Treasurer*<br>R.A. Shaw,<br>*Assistant Secretary* |
| Transfer Agent and Registrar: | Montreal Trust Company<br>*Montreal, Quebec*<br>*and Toronto, Ontario* |
| Legal Counsel: | Aird, Zimmerman & Berlis<br>*Toronto, Ontario* |
| Share Listings: | The Toronto Stock Exchange<br>Montreal Stock Exchange |
| Annual and Special General Meeting: | Friday, March 29, 1974,<br>11:30 a.m. in the Blue Room,<br>Windsor Hotel,<br>*Montreal, Quebec* |

# O'BRIEN GOLD MINES, LIMITED

(No Personal Liability)

## DIRECTORS' REPORT

To the Shareholders:

Your Directors take pleasure in submitting this Annual Report of the Company which includes the audited financial statements for the fiscal year ended September 30, 1973.

**Gold Project - Cullaton Lake, N.W.T., Canada:**

During the 1973 exploration season your Company completed a diamond drilling programme on the "B" Zone which had been recommended by the consulting firm of Derry, Michener & Booth and by Mr. D.W. Esson, B.A. Sc., P.Eng. A total of 29 holes were drilled for a combined footage of 10,868 feet. This drilling was designed to confirm and extend the high grade nature of a gold occurrence which was initially drilled by Selco Mining Corporation Limited in the 1960's. Selco retains a 10% interest in the property until expenditures of $500,000 have been made. Overall expenditures to date by O'Brien have been approximately $250,000. Specifically, the 1973 programme was designed to provide cross sections at 50-foot intervals along strike, as compared to the approximate 100-foot intervals in the Selco drilling, and to test a structural interpretation of ore control.

Drilling to date has been successful in outlining a well-defined zone of gold mineralization. Within this zone there are two sections referred to hereunder as the North and South Sections. The distinction between the two Sections is occasioned by what appears to be a northwest trending fault which has caused a minor displacement between the two sections of up to 100 feet. The 1973 programme did produce two notable high grade gold intersections as follows:

| | |
|---|---|
| DDH 280 - 40W | 1.98 oz/ton over 33.4 feet |
| DDH 240 - 40W | 1.53 oz/ton over 51.2 feet |

These two holes confirm that the high grade intersections from the Selco programme were not unique and that the gold occurrence contains some remarkably high grade sections. Numerous other sections of good grade mineralization were also cut over narrower widths.

The North Section to a vertical depth of 300 feet is estimated to contain 101,987 tons of 0.94 oz. gold per ton across an average true width of 13.8 feet. The South Section, which was only drilled between the 200 and 400 foot horizon, is estimated to contain 57,450 tons of 1.46 oz. gold per ton across an average true width of 10.4 feet and is open up-dip to surface, not having been drilled. Using a dilution factor of 1 foot on both the hangingwall and the footwall side of the zone (i.e. 2 feet) at zero grade, combined tonnage of the two Sections within the zone indicates that there is a reserve of approximately 185,000 tons after dilution of 0.97 oz. gold per ton. The dilute grade was further cut by approximately 25%. This was done by taking the average of all assays and arbitrarily reducing all assays in excess of the average to that average. This resulted in a dilute and cut grade of 0.74 oz. gold per ton. As there has been no prior history of mining in the area surrounding the "B" Zone, these reductions in grade were purely arbitrary and, although severe, were employed as a safety factor, even though there were few erratically high assays in the drilling. In the opinion of the Company's consultants, this results in a conservative "base grade" on which to calculate reserves.

In addition to the above reserves, the consultants report a further 100,000 tons of inferred ore above the 400-foot level, namely, the upward undrilled extension of the South Section to surface and the downward extension of the North Section to the 400-foot level, being the horizon to which the South Section was drilled. Below the 400-foot horizon, the zone appears to plunge to the northwest and thus is open at depth.

The gold mineralization which appears to occur in a roll, or change of direction, of the iron formation may be the "key" to finding more mineralization, both laterally and at depth. The iron formation to date has been traced on surface for approximately two and one-half miles. Ore emplacement seems to occur within one of two parallel iron formations at a point of change in inclination. The inclination forms the suggestion of anticline or "roll" striking at approximately N60°W and plunging at minus 45°.

In view of the above results, the Company's consultant, William Hill, P.Eng. has recommended an

## DIRECTORS' REPORT (continued)

underground exploration programme to prove the drill-indicated reserves and to seek extensions beyond the present limits. This underground development plan involves driving a 9′ x 15′ access decline to the 400-foot level, together with certain cross-cutting, raising, drifting, and underground diamond drilling.

The cost of this programme is estimated at a minimum of $1.5 million. The major cost of this programme is being arranged by way of a fixed price offering of the Company's common shares by members of The Toronto Stock Exchange. Presently O'Brien has a 60% interest in the "B" Zone claims. Upon completion of the recommended programme, O'Brien's interest will be 80%. The remaining 20% is owned in equal parts by Royex Mining Limited and Sturgex Mines Limited. After expenditures of $1,000,000 by O'Brien, Royex and Sturgex are assessable for 10% out of their 20% for all subsequent expenditures. In the event Royex and Sturgex do not elect to participate, Royex and Sturgex combined will revert to a 10% net profit interest, and their other 10% will pass to O'Brien. All of the above is subject to a mathematical abatement in favour of Selco in the ratio that $50,000 (10% of $500,000) will bear to the ultimate expenditures to bring the mine into production, if warranted.

**Regional Staking Programme - N.W. Canada.**

In the general region surrounding the "B" Zone, the Company has acquired by staking an additional 154 claims in several groups covering gold-bearing occurrences associated with other iron formations.

**Outside Mining Exploration:**

In the Normetal area of Clermont Township, Quebec, O'Brien is concluding arrangements for a development programme in association with Yvanex Developments Limited (International Minerals & Chemical-controlled) and Getty Mines Northeast Limited for the exploration of its 12 claim group in that region. Basis of the arrangement is for Yvanex to expend $250,000 to earn a 60% working interest. A ground geophysical survey by O'Brien in 1973 outlined several anomalous areas.

**Geothermal Project - Western U.S.A.:**

During the last year O'Brien, through its wholly-owned subsidiary, O'Brien Resources Corporation, and in association with the Thermal Power Company, Thermal Power of Utah and Davon Incorporated, has been leasing and acquiring geothermal rights in the State of Utah. These lands, which have been carefully selected, have been acquired by leasing from the state of Utah, from private landowners, and only recently by application on Federal lands. At the present time O'Brien's interests vary from 50% to 66-2/3% in approximately 38,604 acres and there are pending applications on substantial further acreage.

Currently, the participants are conducting a 50-well thermal gradient programme as an aid in the selection of an initial production test well site. The results of 27 holes examined to date have indicated an anomalous area, and two test wells have been recommended.

Your management feels that its early entry into this increasingly significant energy source in association with experienced partners and consultants, and on a ground floor basis, will be an important factor in O'Brien's future growth.

**Shareholders' Meeting:**

In addition to the matters normally brought before an annual meeting, shareholders will be asked to pass a resolution giving the Company six months beyond its fiscal year end within which to present its Balance Sheet to its shareholders. This is the time frame within which the vast majority of corporations now operate, and we feel O'Brien should have the same flexibility. Likewise, you will be asked to confirm By-law XXV, the basic purpose of which is to take the Company out from under the provisions of the Quebec Mining Companies Act and make it subject rather to the Quebec Companies Act. The effect of this change is also to permit the Company more flexibility in its activities. Your management regards both these changes as of a housekeeping nature and deserving the support of all shareholders.

On behalf of the Board,

February 28, 1974
Toronto, Canada

V.N. Harbinson,
President

# O'BRIEN GOLD

(No Person

(Incorporated under

## BALANCE SHEET AS

(With comparative figure

### ASSETS

| | 1973 | 1972 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and short-term deposits | $240,956 | $544,594 |
| Accounts receivable and advances | 2,510 | 10,095 |
| Receivable upon settlement | | 404,894 |
| | 243,466 | 959,583 |
| **FIXED ASSETS** | | |
| Field equipment - at nominal value | | 1 |
| Office equipment - at cost, less accumulated depreciation | | 112 |
| | | 113 |
| **INVESTMENT IN WHOLLY-OWNED SUBSIDIARY** - at cost (note 2) | 100 | |
| **OTHER ASSETS** | | |
| Deferred exploration expenditure (notes 3 and 8) | 180,848 | |
| Mining claims - at cost (notes 3, 4 and 7) | 206,000 | 20,791 |
| Utah Geothermal Property U.S.A. - at cost (notes 3 and 5) | 66,916 | |
| Options to purchase mining claims (notes 3 and 6) | 7,500 | |
| Participation in grubstaking venture, N.W.T. (note 9) | 12,210 | |
| Sundry shares - at nominal value | 6 | 6 |
| | 473,480 | 20,797 |
| | $717,046 | $980,493 |

Approved by the Board

V.N. Harbinson, Director

F. Dale Corman, Director

# MINES, LIMITED

Liability)
e laws of Quebec)

SEPTEMBER 30, 1973
s at September 30, 1972)

## LIABILITIES

| | 1973 | 1972 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 97,869 | $ 28,867 |
| Taxes payable | | 1,694 |
| | 97,869 | 30,561 |

## SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| CAPITAL STOCK (note 7) | | |
| Authorized– | | |
| 7,500,000 shares of the par value of $1 each (1972 - 4,000,000 shares) | | |
| Issued and fully paid and non-assessable- | | |
| 4,361,569 shares (1972 - 3,381,569 shares) | 4,361,569 | 3,381,569 |
| Less: Discount on shares | 555,000 | 250,000 |
| | 3,806,569 | 3,131,569 |
| DEFICIT | 608,763 | 490,852 |
| | 3,197,806 | 2,640,717 |
| CAPITAL DISTRIBUTIONS TO SHAREHOLDERS | | |
| (including $887,844 distributed in November, 1972) | 2,578,629 | 1,690,785 |
| | 619,177 | 949,932 |
| | $ 717,046 | $ 980,493 |

# O'BRIEN GOLD MINES, LIMITED

(No Personal Liability)

## STATEMENT OF DEFERRED EXPLORATION AND OTHER EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 1973
(With comparative figures for the year ended September 30, 1972)

| | 1973 | 1972 |
|---|---|---|
| EXPLORATION | | |
| B-Zone, N.W.T.- | | |
| Drilling | $119,221 | |
| Assaying | 3,340 | |
| Consulting | 19,769 | |
| Field and camp expenses | 20,182 | |
| Travel | 8,516 | |
| General | 2,199 | |
| Shear Lake, N.W.T. | 6,121 | |
| Clermont Township, Quebec | 1,500 | |
| General exploration | 5,056 | $ 40,922 |
| | 185,904 | 40,922 |
| ADMINISTRATION | | |
| Officers' remuneration | | 12,000 |
| Professional services | 14,485 | 10,827 |
| Legal and audit | 43,155 | 19,352 |
| Shareholders' reports and meetings | 9,835 | 4,934 |
| Directors' fees and expenses | 11,277 | 9,125 |
| Travel and representation | 4,165 | 558 |
| Filing fees and taxes | 6,558 | 473 |
| Transfer agent | 4,836 | 3,610 |
| General | 4,625 | 4,051 |
| | 98,936 | 64,930 |
| Less: Interest earned | 6,985 | 30,137 |
| | 91,951 | 34,793 |
| NET EXPENDITURES FOR THE YEAR | 277,855 | 75,715 |
| Amount written off to deficit | 97,007 | 75,715 |
| DEFERRED EXPLORATION EXPENDITURES – END OF YEAR | $180,848 | Nil |

## SUMMARY OF DEFERRED EXPENDITURES

| | Expenditures during year | Written off during year | Balance September 30, 1973 |
|---|---|---|---|
| B-Zone, N.W.T. | $173,227 | | $173,227 |
| Shear Lake, N.W.T. | 6,121 | | 6,121 |
| Clermont Township, Quebec | 1,500 | | 1,500 |
| General Exploration | 5,056 | $ 5,056 | |
| Administrative and general (net) | 91,951 | 91,951 | |
| | $277,855 | $97,007 | $180,848 |

# O'BRIEN GOLD MINES, LIMITED

(No Personal Liability)

## STATEMENT OF DEFICIT

FOR THE YEAR ENDED SEPTEMBER 30, 1973

(With comparative figures for the year ended September 30, 1972)

| | 1973 | 1972 |
|---|---|---|
| BALANCE - BEGINNING OF YEAR | $490,852 | $695,267 |
| Settlement of various actions as described in 1971 financial statements- | | |
| Recovery of amount previously written off in respect of the Estate and notes of Prudential Finance Corporation Limited and Estate of J.B. Brien | | 295,130 |
| Cash received in consideration of the sale of mining properties to Quebec Sturgeon River Mines Limited | | 5,000 |
| | | 300,130 |
| Deduct: Legal fees | | 20,000 |
| | | 280,130 |
| | 490,852 | 415,137 |
| Deferred development and other expenditures written off | 97,007 | 75,715 |
| Mining claims written off, Minago River area, Manitoba | 20,791 | |
| Miscellaneous furnishings written off | 113 | |
| | 117,911 | 75,715 |
| BALANCE – END OF YEAR | $608,763 | $490,852 |

## STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 1973

(With comparative figures for the year ended September 30, 1972)

| | 1973 | 1972 |
|---|---|---|
| SOURCE OF FUNDS | | |
| Issuance of capital – | | |
| For cash | $ 504,000 | |
| For mining claims | 171,000 | |
| Receivable upon settlement of claims in respect of the Estate of Prudential Finance Corporation Limited | | $404,894 |
| Receivable from Quebec Sturgeon River Mines Limited | | 5,001 |
| | 675,000 | 409,895 |
| USE OF FUNDS | | |
| Exploration and other expenditure (net) | 277,855 | 75,687 |
| Legal expenses arising from settlement of various actions | | 20,000 |
| Distribution of capital to shareholders | 887,844 | |
| Option payments to purchase mining claims | 7,500 | |
| Investment in wholly-owned subsidiary | 100 | |
| Participation in grubstaking venture, N.W.T. | 12,210 | |
| Mining claims, N.W.T. | 206,000 | |
| Utah Geothermal Property, U.S.A. | 66,916 | |
| | 1,458,425 | 95,687 |
| INCREASE (DECREASE) IN WORKING CAPITAL | (783,425) | 314,208 |
| WORKING CAPITAL - BEGINNING OF YEAR | 929,022 | 614,814 |
| WORKING CAPITAL - END OF YEAR | $ 145,597 | $929,022 |

# O'BRIEN GOLD MINES, LIMITED

(No Personal Liability)

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1973

### 1. COMPARATIVE FIGURES

Certain 1972 figures have been reclassified for comparison purposes.

### 2. INVESTMENT IN WHOLLY-OWNED SUBSIDIARY

A wholly-owned subsidiary, O'Brien Resources Corporation, was incorporated in the State of Delaware on September 7, 1973. The subsidiary has not yet commenced business and therefore is not consolidated with the accounts of the parent company. The investment is reflected at cost.

### 3. VALUES

The amounts shown for deferred exploration expenditures and mining claims and property represent costs to date, less amounts written off and are not intended to reflect present or future values.

### 4. MINING CLAIMS

Under an agreement dated June 4, 1973, the company acquired from Hewbet Mines Limited its 50% undivided interest in 57 mining claims in the District of Keewatin, Northwest Territories in consideration of $35,000 cash and 380,000 fully paid and non-assessable shares of the company (note 7) at an ascribed value of $171,000. Selco Mining Corporation Limited, former owner of the property, retains a 10% carried interest until $500,000 has been expended. Accordingly, the company presently holds a 45% interest in the said claims.

In conjunction with the above agreement, the company has undertaken to fulfil all of Hewbet's obligations and commitments to Royex Mining Limited and Sturgex Mines Limited in accordance with an agreement dated May 7, 1973 between Hewbet and Royex and Sturgex jointly. Consequently, the company is committed to an expenditure of $200,000 in mining exploration and/or development work on the claims before November 7, 1974, thereby earning one-fifth of the net Royex-Sturgex interest being 45% in the said claims. As at September 30, 1973, $173,227 had been expended.

### 5. UTAH GEOTHERMAL PROPERTY

The company is in the process of acquiring an interest in certain geothermal leases located in Southwest Utah. As at September 30, 1973, payments amounting to $66,916 (U.S. $66,666.66) have been made.

### 6. OPTIONS

(a) Val-Nor Agreement –

Under a letter agreement dated December 20, 1972, as amended August 13, 1973, the company acquired from Val-Nor Explorations Limited a working option to purchase 12 unpatented mining claims in Clermont Township, Quebec, for an initial payment of $2,500. In order to exercise the option the company will be required to make additional payments of $500 and $24,500 on or before December 20, 1973 and December 20, 1974 respectively, and to proceed with a geophysical survey before November, 1973. Further, the company will be required to reserve to the optioner a 1% net smelter return royalty.

(b) Shear Lake Agreement –

Under a letter agreement dated June 16, 1973 with Royex Mining Limited and Sturgex Mines Limited, the company acquired an option to earn at least a 60% interest in 32 unpatented mining claims ("Shear Lake Claims") in the District of Keewatin, Northwest Territories, for an initial payment of $5,000. Pursuant to the agreement, the company has completed 500 feet of diamond drilling on the said mining claims and has options to expend sums of $100,000 and $400,000 on or before November 30, 1974 and November 30, 1976 respectively, thereby acquiring an undivided 60% interest in the said mining claims. Further options will then be available for the company to acquire a maximum of 85% interest in these claims.

## NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 1973

### 7. CAPITAL STOCK

(a) Authorized capital –

By Supplementary Letters Patent dated July 30, 1973, the authorized capital of the company was increased to 7,500,000 shares of the par value of $1 each.

(b) Issuance during the year –

The following shares were issued during the year:

| | Number shares | Par value | Discount | Net |
|---|---|---|---|---|
| For mining claims | 380,000 | $380,000 | $209,000 | $171,000 |
| For cash | 600,000 | 600,000 | 96,000 | 504,000 |
| Total | 980,000 | $980,000 | $305,000 | $675,000 |

### 8. NORTHERN EXPLORATION ASSISTANCE PROGRAM

The company has filed an application for assistance under the Northern Mineral Exploration Assistance Program, which has received approval by the Department of Indian and Northern Affairs, subject to an audit of the claimed expenditures by the Audit Service Bureau. Financial assistance up to a maximum of 40% of an applicant's approved exploration program expenditures is available under the program. The regulations require repayment of the assistance granted to an exploration program if it results in the discovery of an economic orebody and commencement of production for gain on the property on which the program was conducted. No amounts for assistance have been reflected in these financial statements.

### 9. GRUBSTAKE AGREEMENT

The company has entered into a grubstake agreement dated June 6, 1973 and has agreed to advance up to the sum of $20,000 to two prospectors. The prospectors shall be entitled to 10% of the net proceeds of production from any properties staked by them.

### 10. INCOME TAXES

At this date the company has approximately $1,200,000 of unclaimed exploration expenditures which under certain circumstances may be utilized to reduce income taxes of future years.

October 25, 1973

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of O'Brien Gold Mines, Limited (No Personal Liability) as at September 30, 1973 and the statements of deficit, deferred development and other expenditures and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at September 30, 1973 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Printed in Canada